



PRESENTATION TO:
**NAVY ACQUISITION REFORM
SENIOR OVERSIGHT COUNCIL**
ENTERPRISE RESOURCE PLANNING (ERP)

**MR. DENNIS DISTLER
PROGRAM DIRECTOR
ENTERPRISE SOLUTIONS PROGRAM OFFICE (ESPO)
26 AUGUST 1999**



OUTLINE

- **ERP IN INDUSTRY**
- **NAVAIR'S STRATEGY**
- **ERP – PART OF THE SOLUTION**
- **RBA / ESG STRATEGY**
- **NAVAIR'S PILOT**
- **PROGRAM MANAGEMENT PLAN**
- **RESULTS**
- **Q&A**

ERP IN INDUSTRY



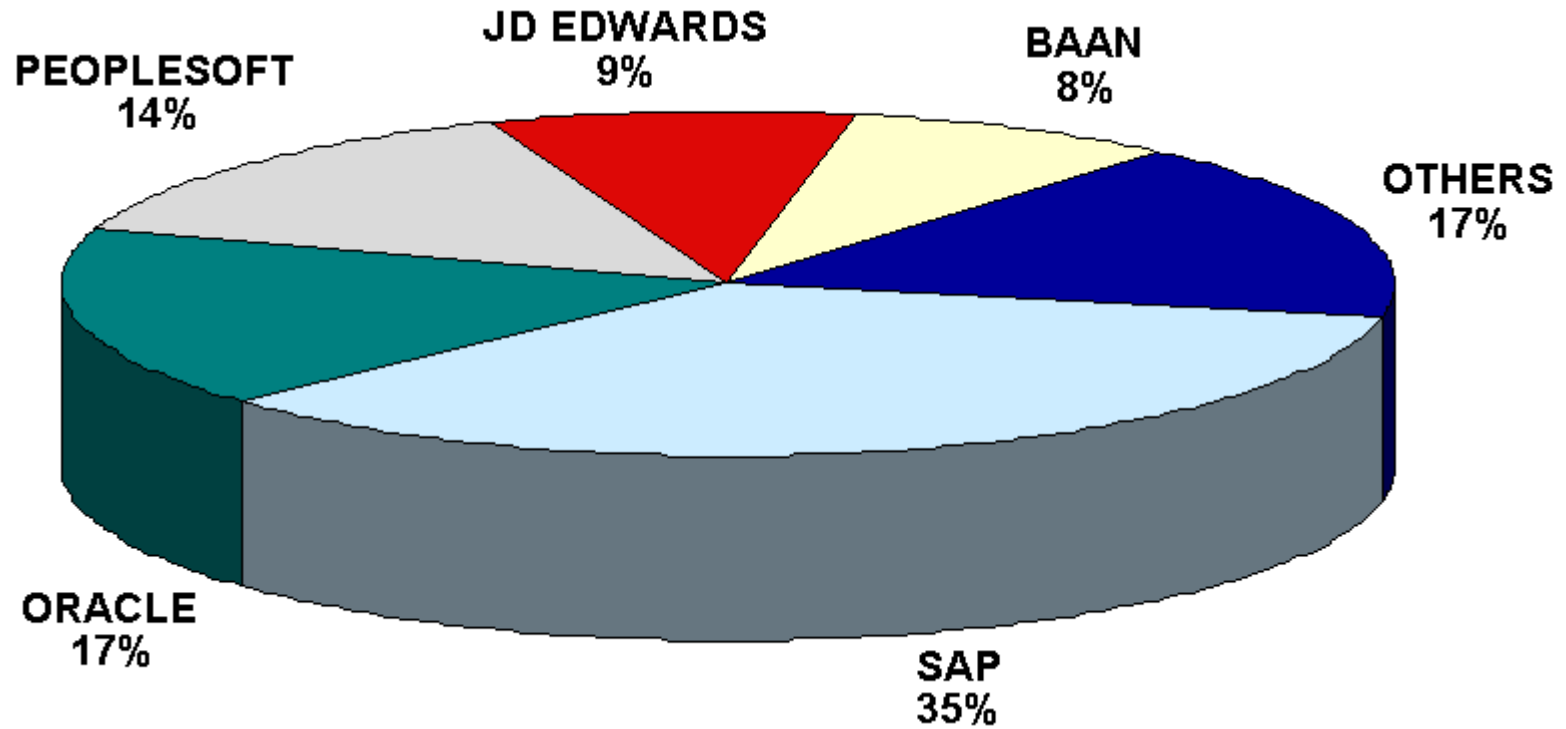
WHO'S PURSUING ERP?





ERP VENDOR MARKET SHARES

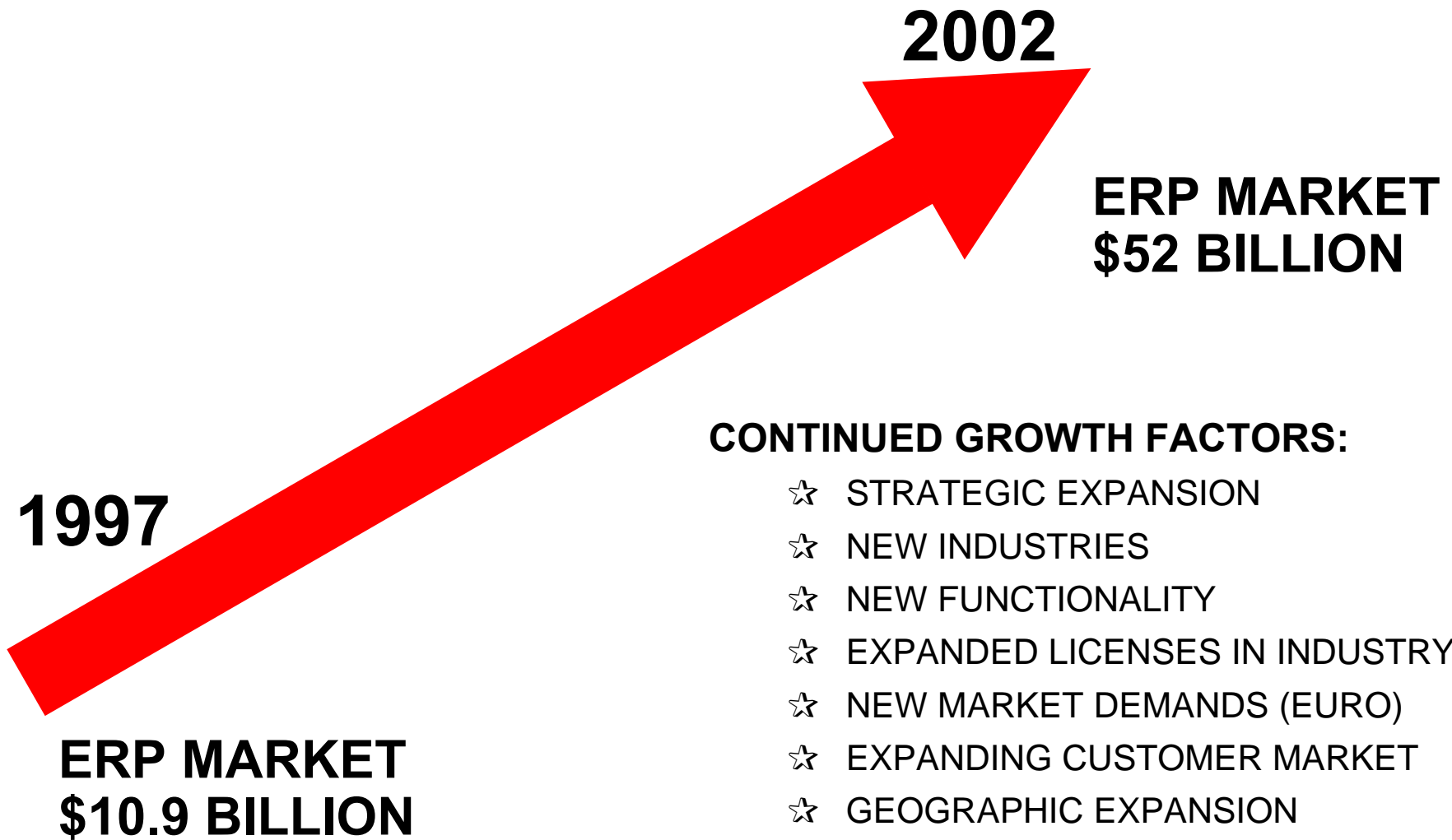
BASED ON TOTAL 1998 ERP MARKET - \$11 BILLION



SOURCE: GARTNERGROUP AND DATAQUEST



ERP SERVICES MARKET TREND FORECAST 1997 TO 2002



CONTINUED GROWTH FACTORS:

- ☆ STRATEGIC EXPANSION
- ☆ NEW INDUSTRIES
- ☆ NEW FUNCTIONALITY
- ☆ EXPANDED LICENSES IN INDUSTRY
- ☆ NEW MARKET DEMANDS (EURO)
- ☆ EXPANDING CUSTOMER MARKET
- ☆ GEOGRAPHIC EXPANSION
- ☆ NEW APPROACHES (OUTSOURCING)



THE "GOOD" PRESS

ERP Market Grows

The ERP market will continue to be one of the largest, fastest-growing and most influential in the applications industry into the new millennium.

**ERP:
Not So Expensive and
Difficult, New Report
Claims**

Aerospace Invests BILLIONS in ERP Software, Processes

Your ERP Package Guide

"DeJarnett, Vice President A.T. Kearney Inc. says, the reason a company is looking for an ERP solution is that one of its three core corporate functions needs fixing. In other words, its financial data is not integrated, or it needs to standardize its manufacturing processes across several business units, or its human resources area needs some heavy-duty reengineering."



THE “BAD” PRESS

**ERP Projects Cost More Than
Their Measurable Payback**

**Complex Software No One
Understands**

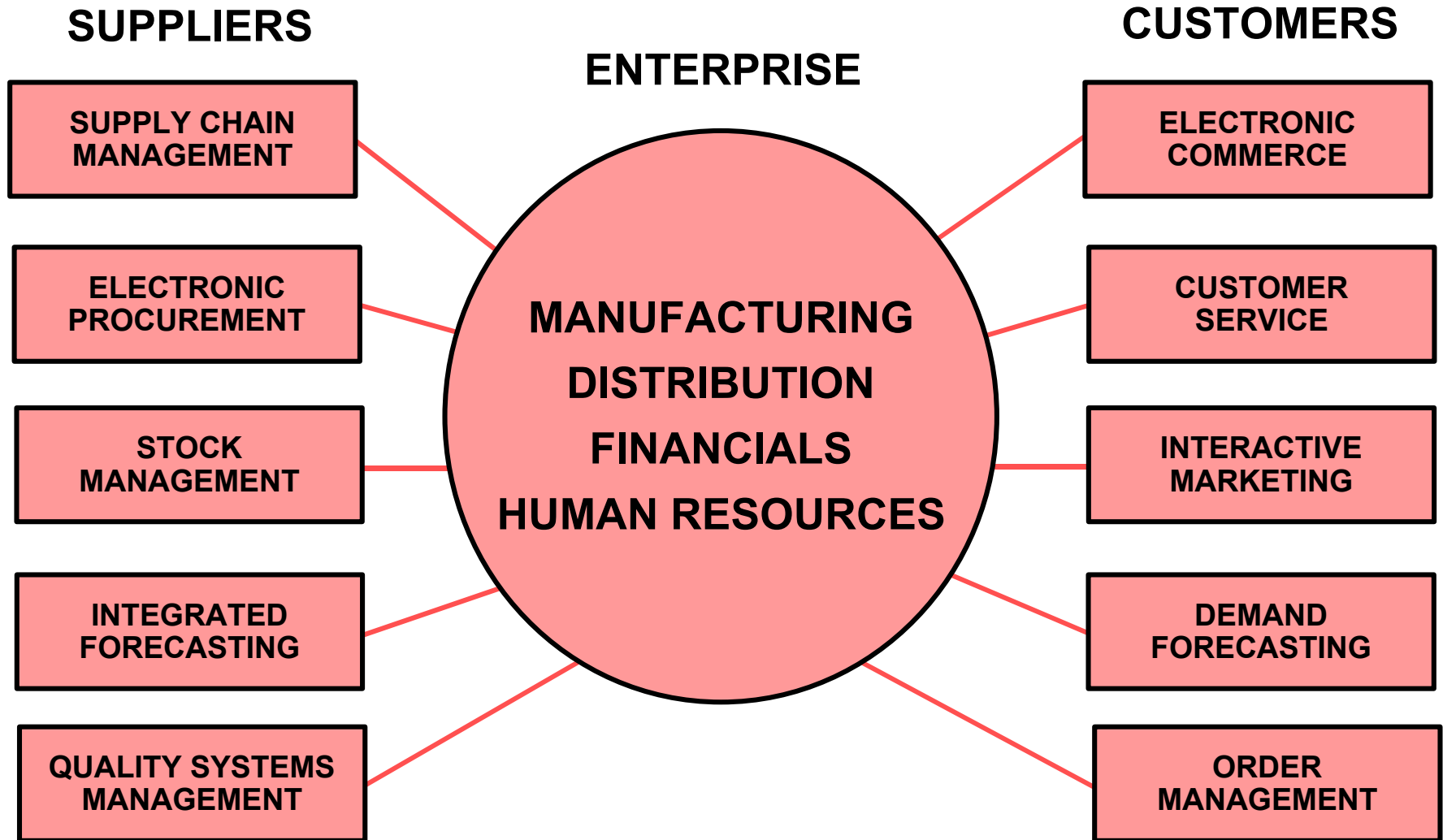
**ERP: Criticism Tough to
Digest for Some**

An ERP Game Plan

“Another person will be happy to relate a horror story, perhaps describing in detail the company that budgeted \$80 million for their ERP, only to find the real cost to be \$200 million.”



WHERE INDUSTRY IS GOING





INDUSTRY LESSONS (RISKS TO BE MANAGED)

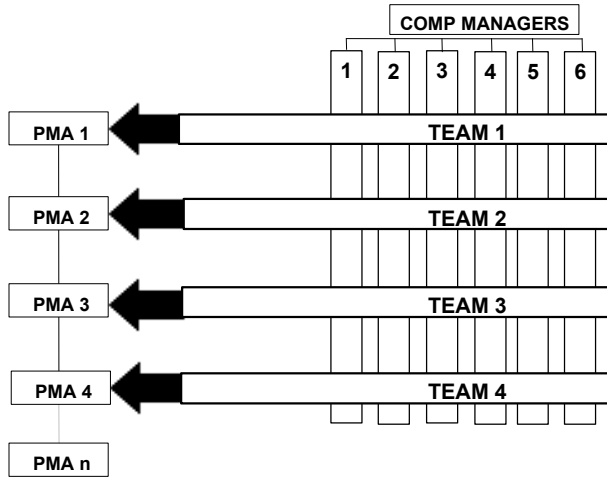
- INADEQUATE SPONSORSHIP
- POOR / SLOW DECISION MAKING
- POOR / NO SCOPE DEFINITION
- LACK OF COOPERATION BETWEEN BUSINESS AREAS / DEPARTMENTS
- POOR USE OF CONSULTANTS
- INAPPROPRIATE RESOURCES
- UNREALISTIC EXPECTATIONS
- INADEQUATE KNOWLEDGE XFR TO EMPLOYEES
- POOR PROJECT MANAGEMENT

NAVAIR'S STRATEGY

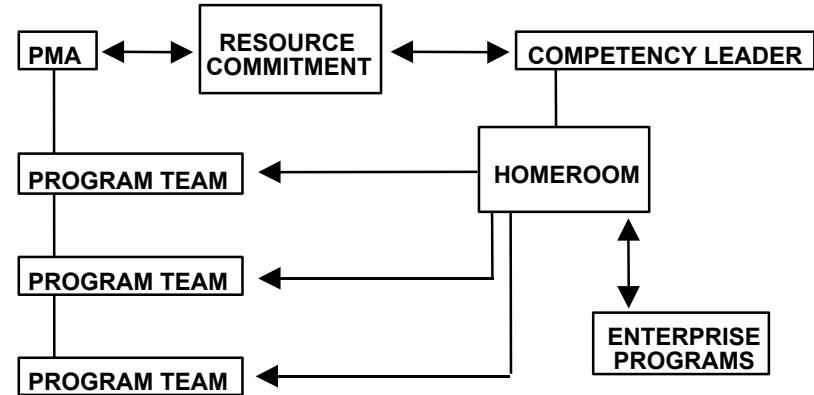


BUILDING THE NEW NAVAIR SINCE 1994

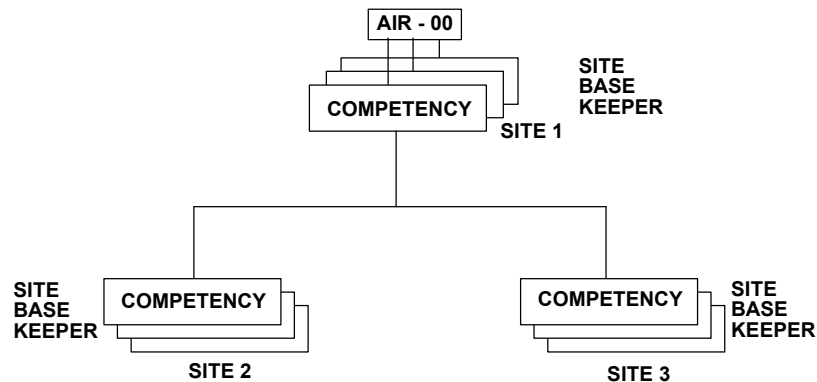
INTEGRATED PROGRAM TEAMS



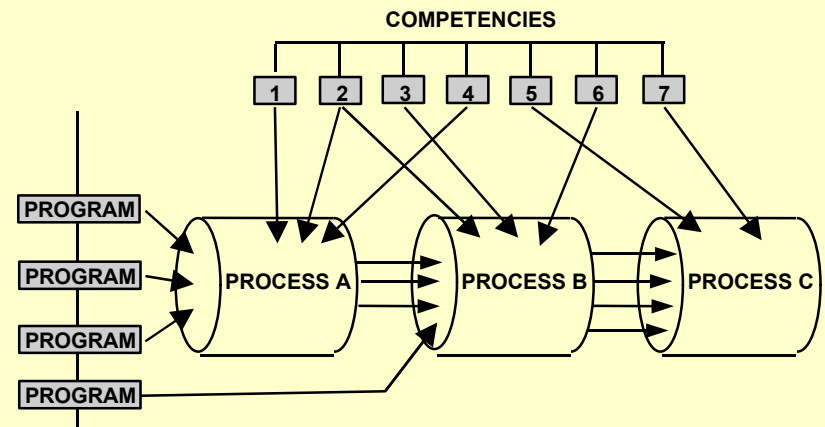
COMPETENCY LEADERSHIP



MANAGEMENT AT & ACROSS SITES

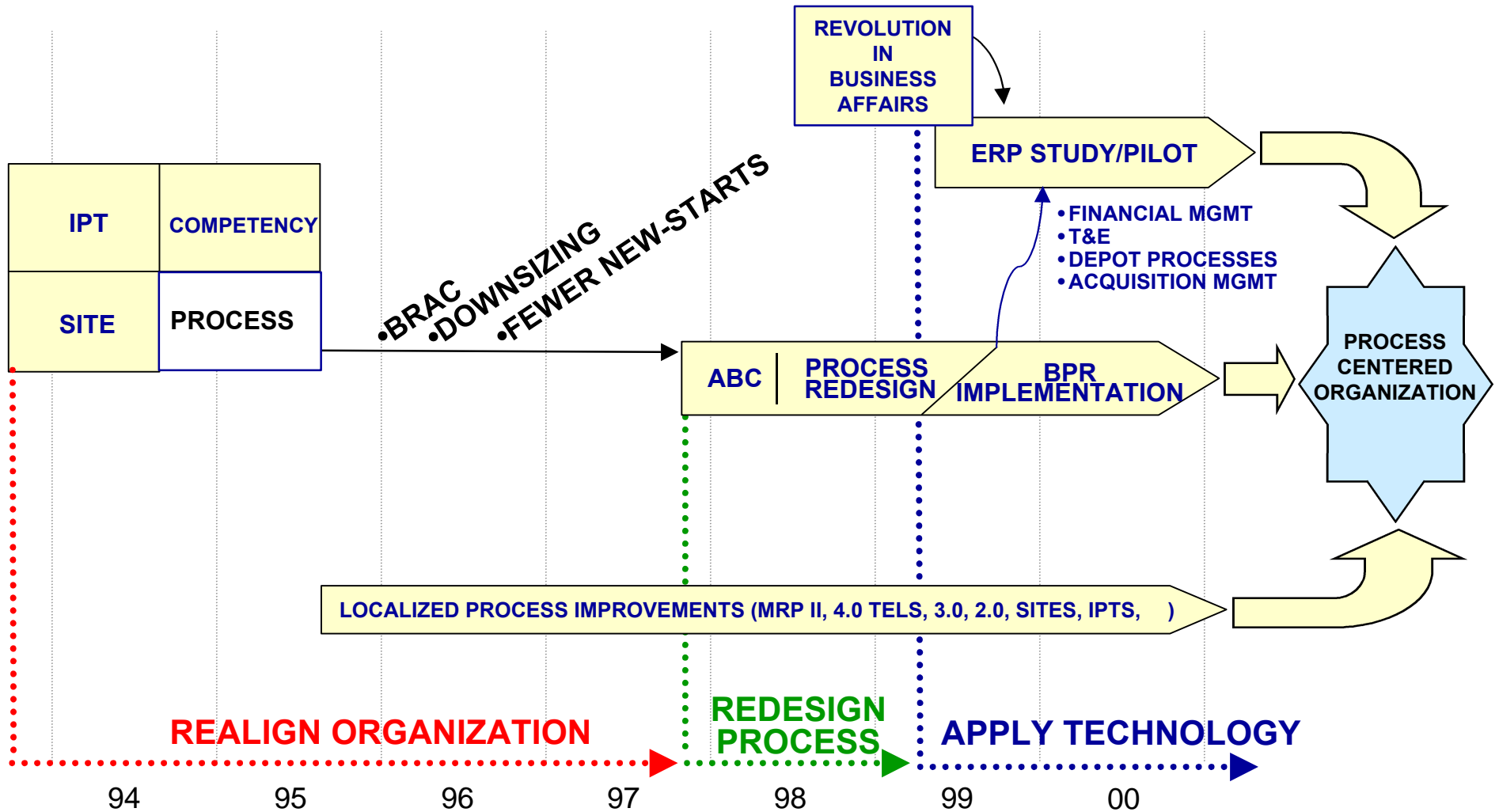


PROCESS MANAGEMENT



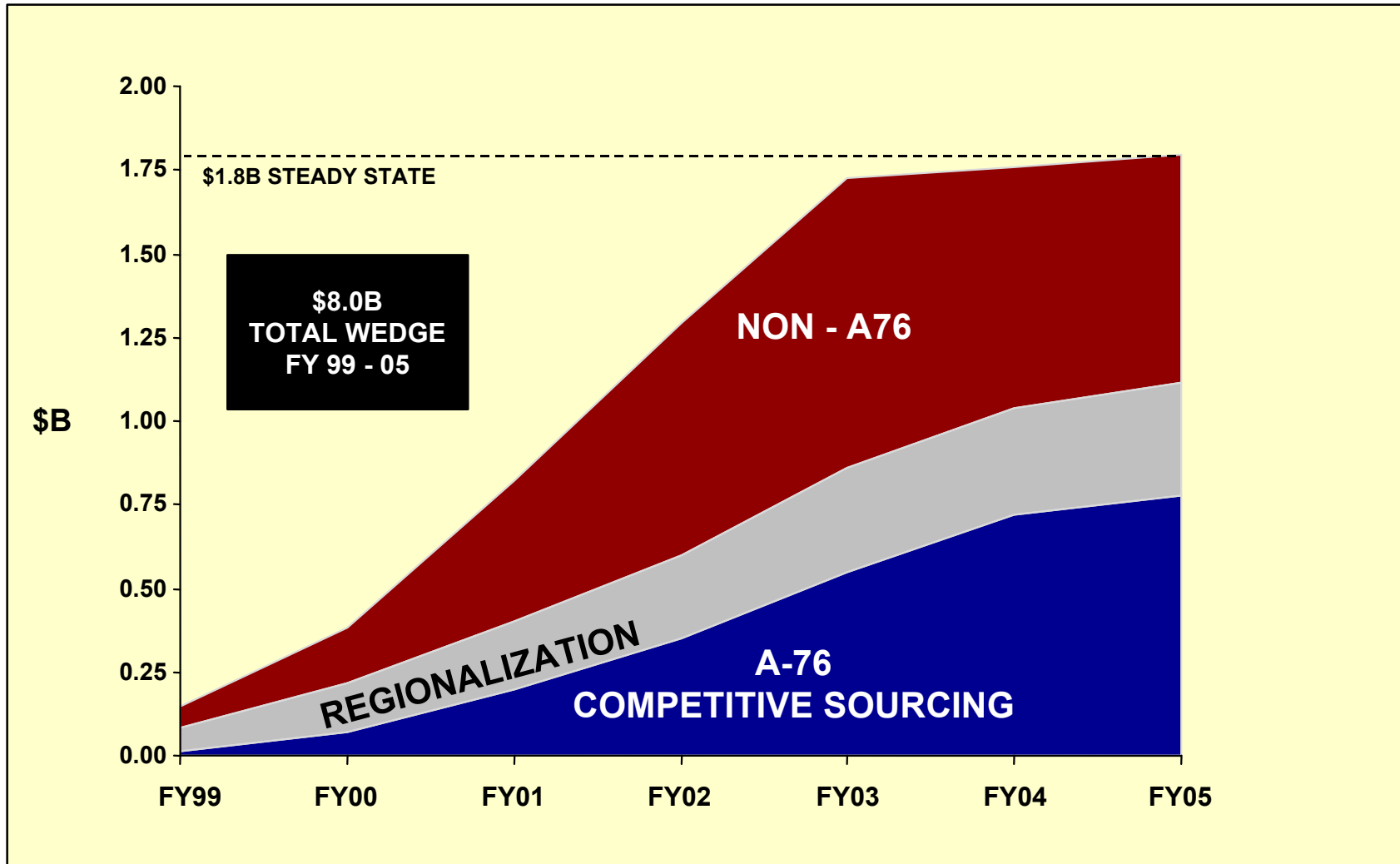


STRATEGIC PLANNING ROADMAP





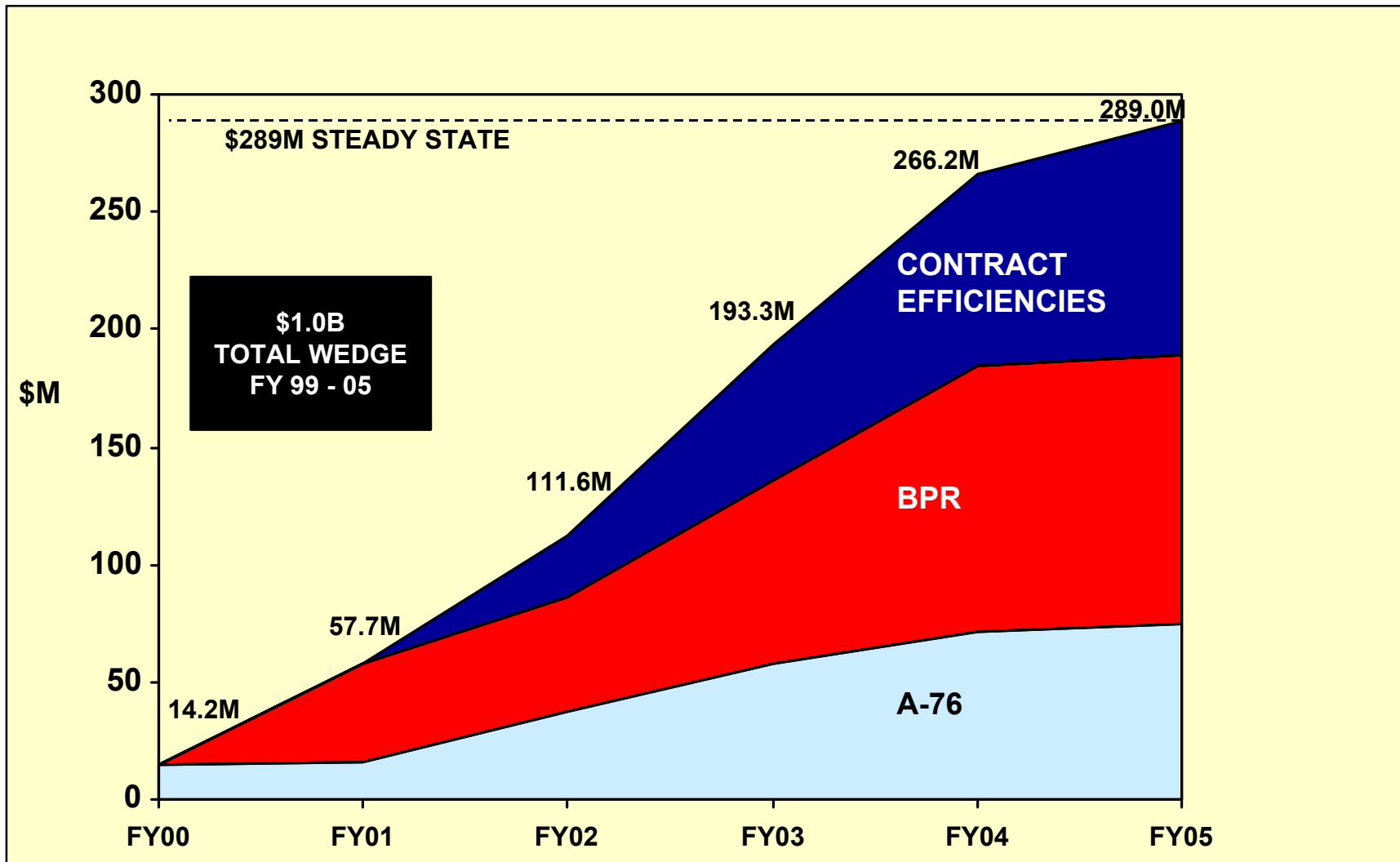
THE WEDGE STORY NAVY



SOURCE: WEDGE: [HTTP://WWW.FEDERALTIMES.COM/FEATURES/NAVY.HTM](http://www.federaltimes.com/features/navy.htm)

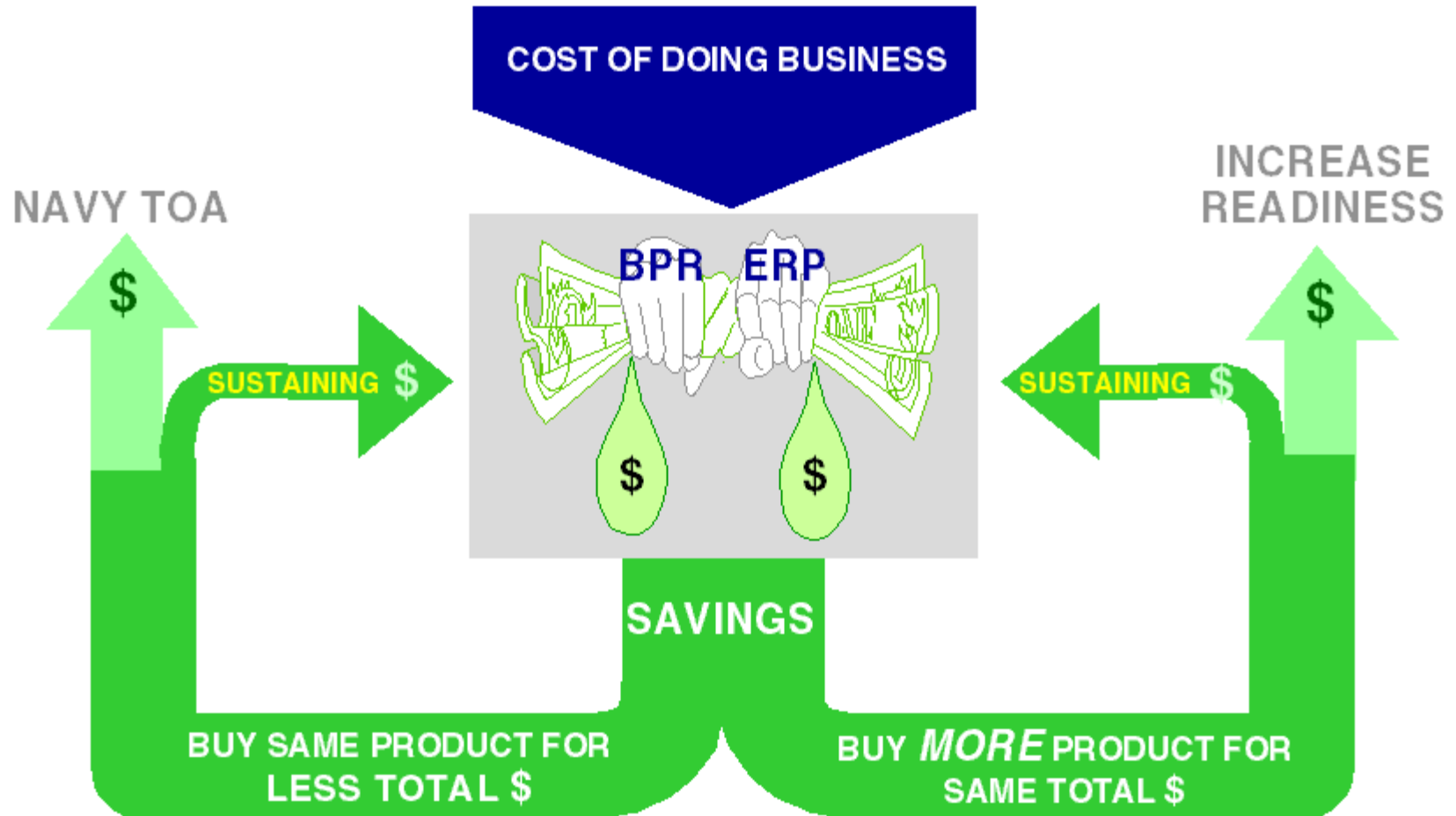


THE WEDGE STORY NAVAIR





IMPROVING PERFORMANCE





FY98 INVENTORY

4,102	ACTIVE AIRCRAFT	(35 MODELS / 96 TMS)
13,204	ENGINES	(23 MODELS / 100 TMS)
47,052	MISSILES	(15 MODELS / 34 TMS)
957	TARGETS	(8 MODELS / 9 TMS)
850	TRAINERS / TRAINING SYSTEMS	(200+ TYPES)
150+	AIRCRAFT LAUNCH AND RECOVERY SYSTEMS	
44	EXPEDITIONARY AIR FIELD SYSTEMS	(2 TYPES)
43	AIR TRAFFIC CONTROL SYSTEMS	
83,000+	REPAIRABLES	



FY98 INVENTORY (CONT.)

7.68 MILLION	SPARES INVENTORY (\$19.75 BILLION)
1.5 MILLION	PIECES OF SUPPORT EQUIPMENT
8+ MILLION	ENGINEERING DRAWINGS
24,000+	TECHNICAL MANUALS
74,000+	MAINTENANCE PERSONNEL (NAVY & MARINES)

EXAMPLES OF RESOURCES

1,148,301	MILLION PLUS ACRES
3,811	BUILDINGS
2,806	VEHICLES
30,000+	EMPLOYEES

PROBLEMS FOR THE CUSTOMER

A faded background image showing a military helicopter in flight, lifting a fighter jet from a carrier deck. The helicopter is positioned above the jet, and its hoist is attached to the jet's fuselage. The scene is set on a carrier deck with other aircraft visible in the background.

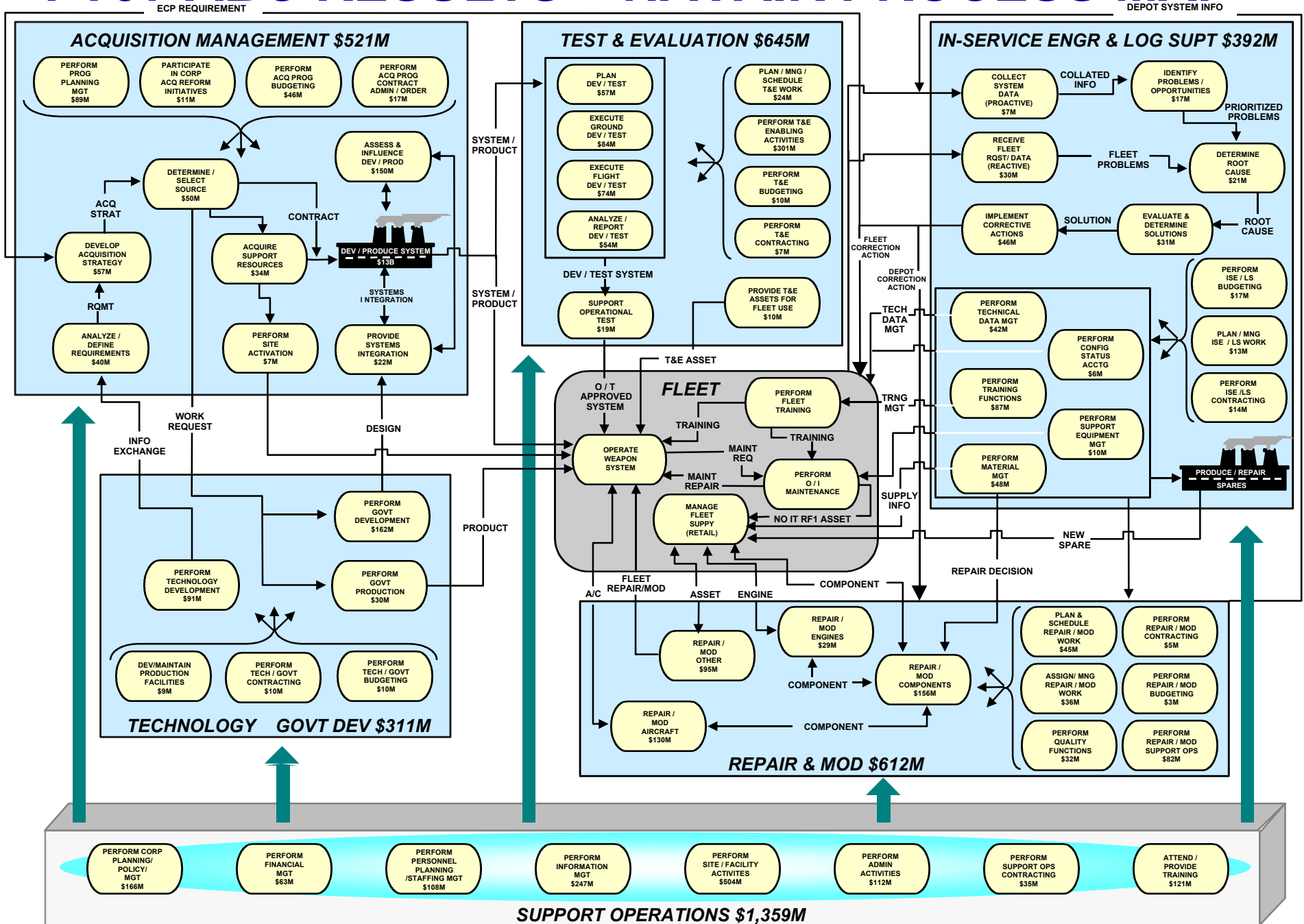
CUSTOMERS HAVE SAID THEY CAN T AFFORD US ANYMORE

“WE’RE CHARGING OURSELVES OUT OF BUSINESS”

IT TAKES TOO LONG TO DELIVER SERVICES

FY97 ABC RESULTS

NAVAIR PROCESS MAP

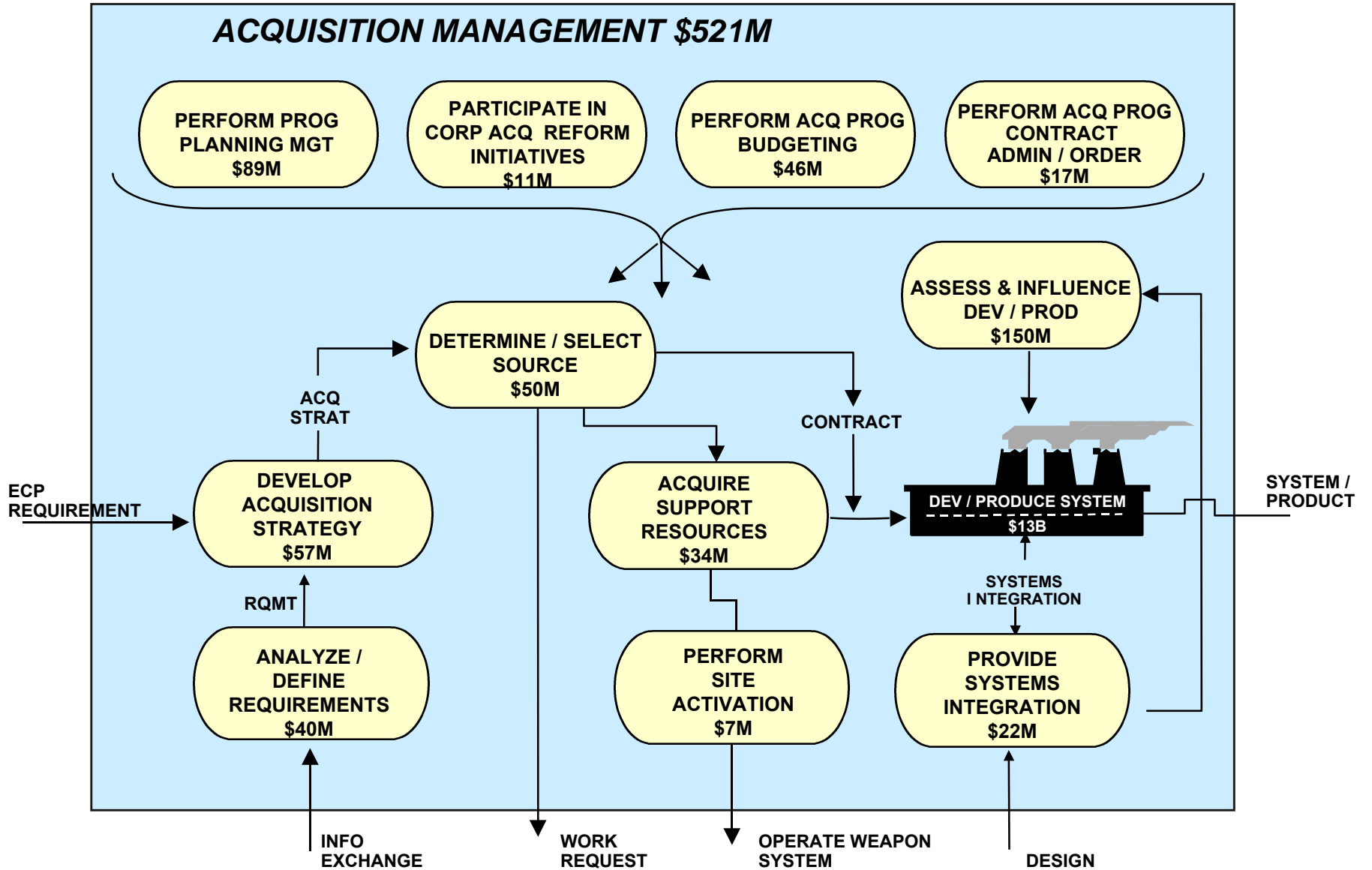




ACQUISITION MANAGEMENT

FY97 ABC RESULTS

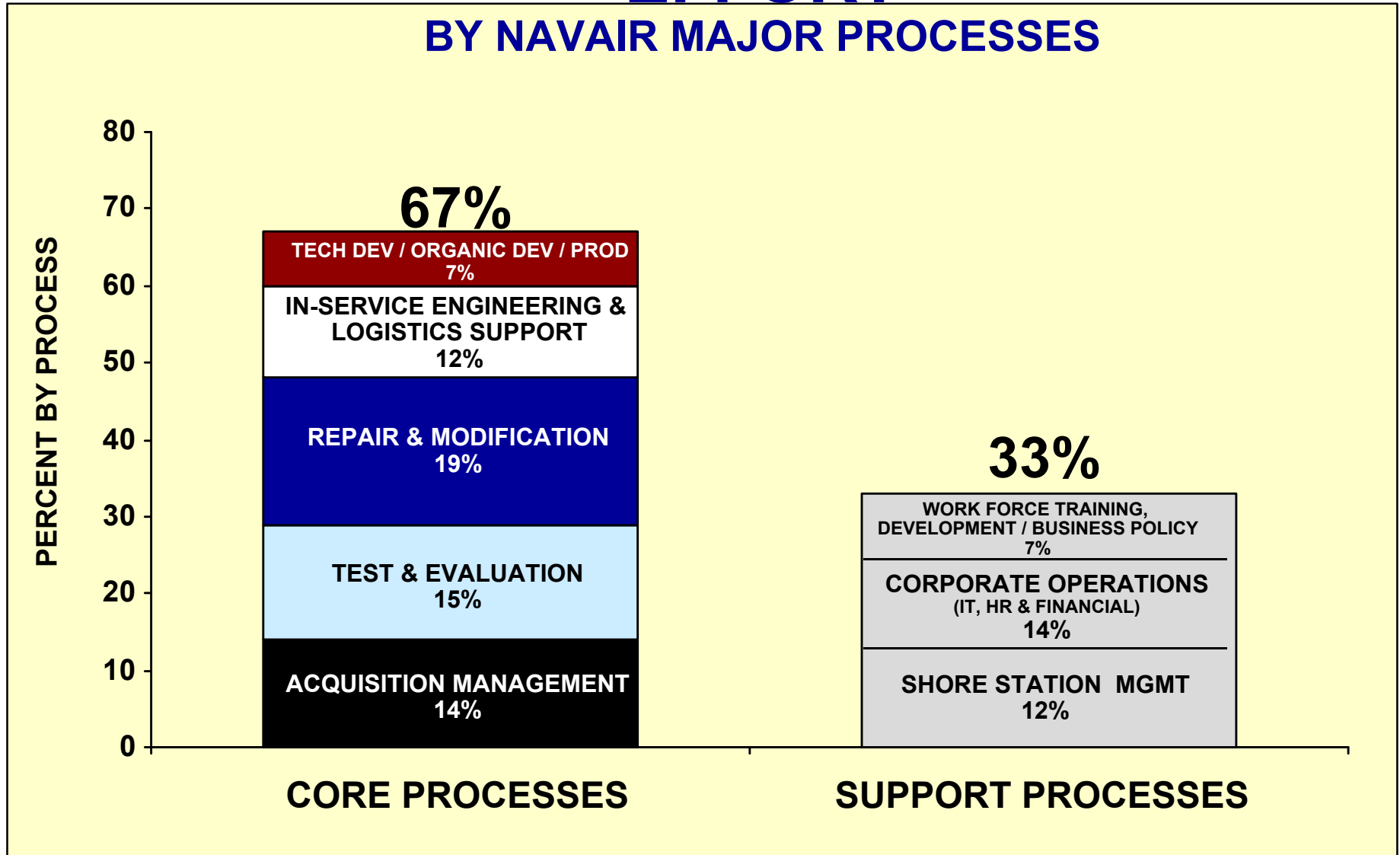
NAVAIR PROCESS MAP





NAVAIR DISTRIBUTION OF EFFORT

BY NAVAIR MAJOR PROCESSES



NOTE: INCLUDES MILITARY, CIVILIAN, CONTRACTOR



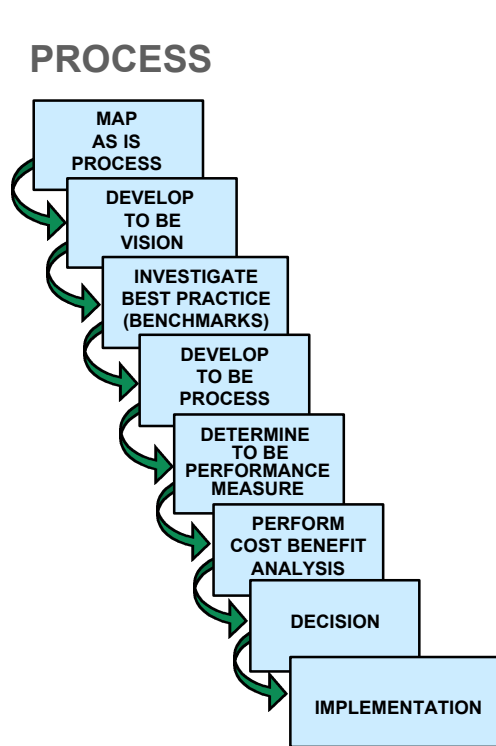
BPR STATUS AND DECISIONS A FEW KEY POINTS . . .

- **BPR IS A KEY ELEMENT OF OUR OVERALL CORPORATE STRATEGY**
 - LOWERING THE COST OF DOING BUSINESS
 - REDUCING CYCLE TIME IN RESPONDING TO CUSTOMER NEEDS
- **BPR PROVIDES A DISCIPLINED APPROACH TO IMPROVING PERFORMANCE**
 - BPR TEAMS *WITH SITE AND COMPETENCY REPRESENTATION* APPLIED A CONSISTENT METHODOLOGY FOR DEFINING PROCESS DEFICIENCIES, SETTING PERFORMANCE TARGETS, REDESIGNING PROCESSES, AND SUPPORTING THE DECISION PROCESS
- **PROCESS CHANGE WILL PRODUCE A SIGNIFICANT RETURN ON INVESTMENT FOR OUR TEAM AND OUR NAVY**
 - BPR SAVINGS WILL HELP US INFLUENCE POSITIVE RESULTS FOR OUR TEAM AND THE NAVY, AND REDUCE OUR RELIANCE ON CA STUDIES
- **BPR WILL INCREASE EFFICIENCY AND REDUCE COST BY INTEGRATING KEY PROCESSES THAT SPAN MULTIPLE COMPETENCIES AND SITES**



INITIATIVES TO IMPROVE PERFORMANCE

FUNCTIONALITY ASSESSMENT



- **ACQUISITION MGMT**
 - RISK MANAGEMENT
 - CYCLE TIME REDUCTION
- **T&E**
 - T&E NETWORK CENTRIC WARFARE CAPABILITIES
 - T&E PROCESSES
- **DEPOT MGMT**
 - DEPOT PLANNING & SCHEDULING
 - COMPONENT REPAIR
 - MATERIAL MGMT
- **ENGINEERING INVESTIGATIONS**
- **SOFTWARE DEVELOPMENT**
- **ASSET & PROPERTY MGMT**

+ ERP WILL *DRIVE* CHANGE AND *ENABLE* REENGINEERING EFFORTS

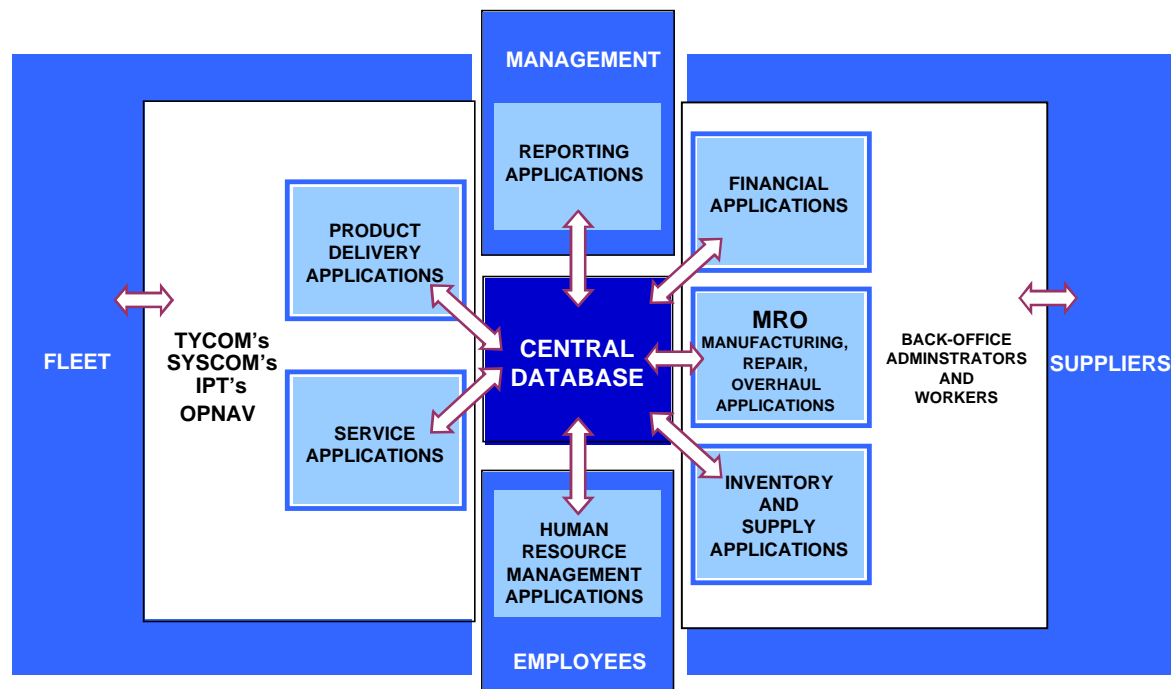
**ERP – PART OF THE
SOLUTION**



ENTERPRISE RESOURCE PLANNING (ERP)

AN ENTERPRISE RESOURCE PLANNING SYSTEM IS A PACKAGED BUSINESS SOFTWARE SYSTEM THAT LETS A COMPANY:

- **AUTOMATE AND INTEGRATE THE MAJORITY OF ITS BUSINESS PROCESSES**
- **SHARE COMMON DATA AND PRACTICES ACROSS THE ENTERPRISE**
- **PRODUCE AND ACCESS INFORMATION IN A REAL-TIME ENVIRONMENT**



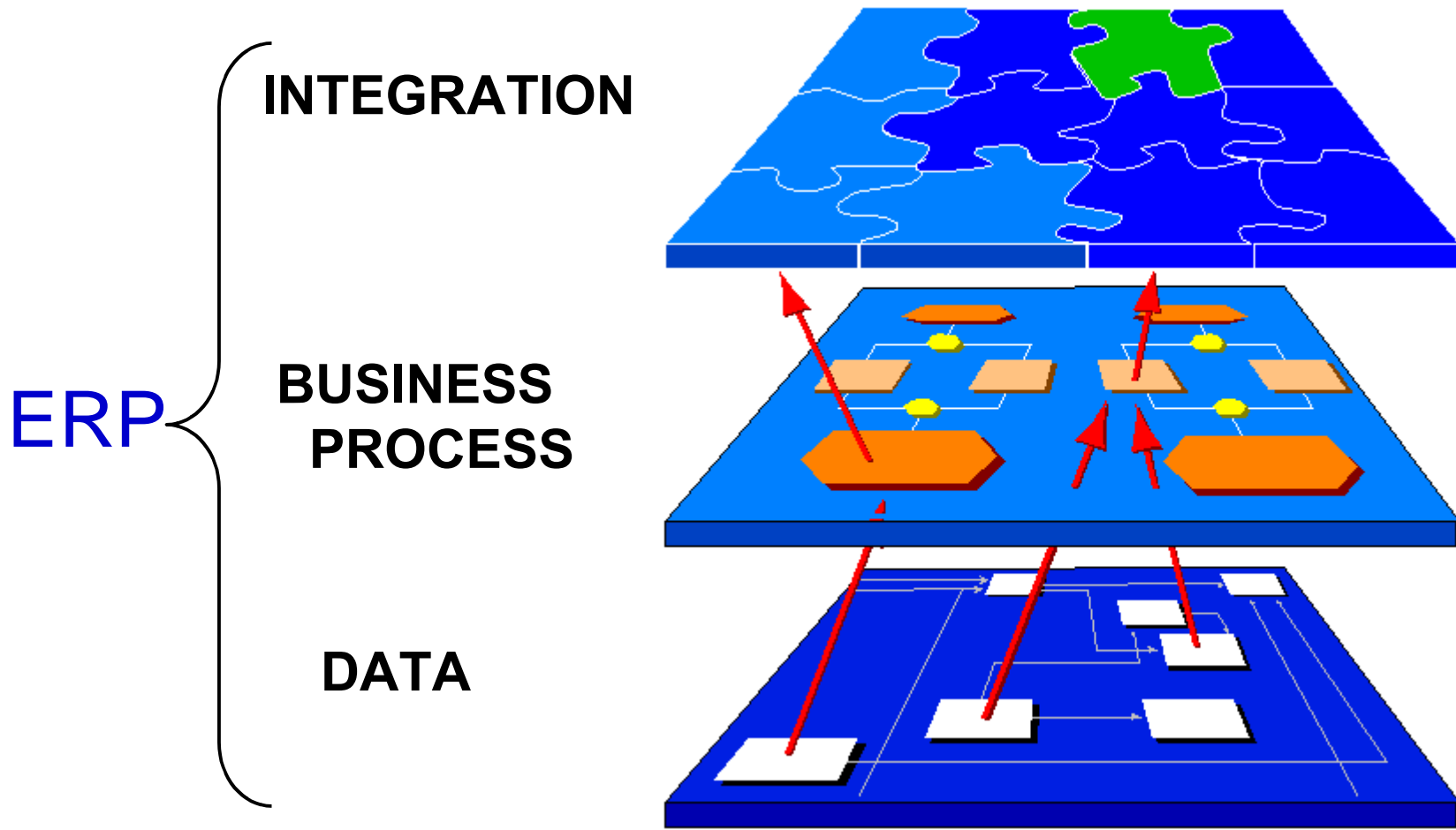
HARVARD BUSINESS REVIEW
JULY-AUGUST 1998 (MODIFIED)

**... AND PROVIDE CONSISTENT INFORMATION FOR TIMELY
DECISION-MAKING AND PERFORMANCE MEASUREMENT**



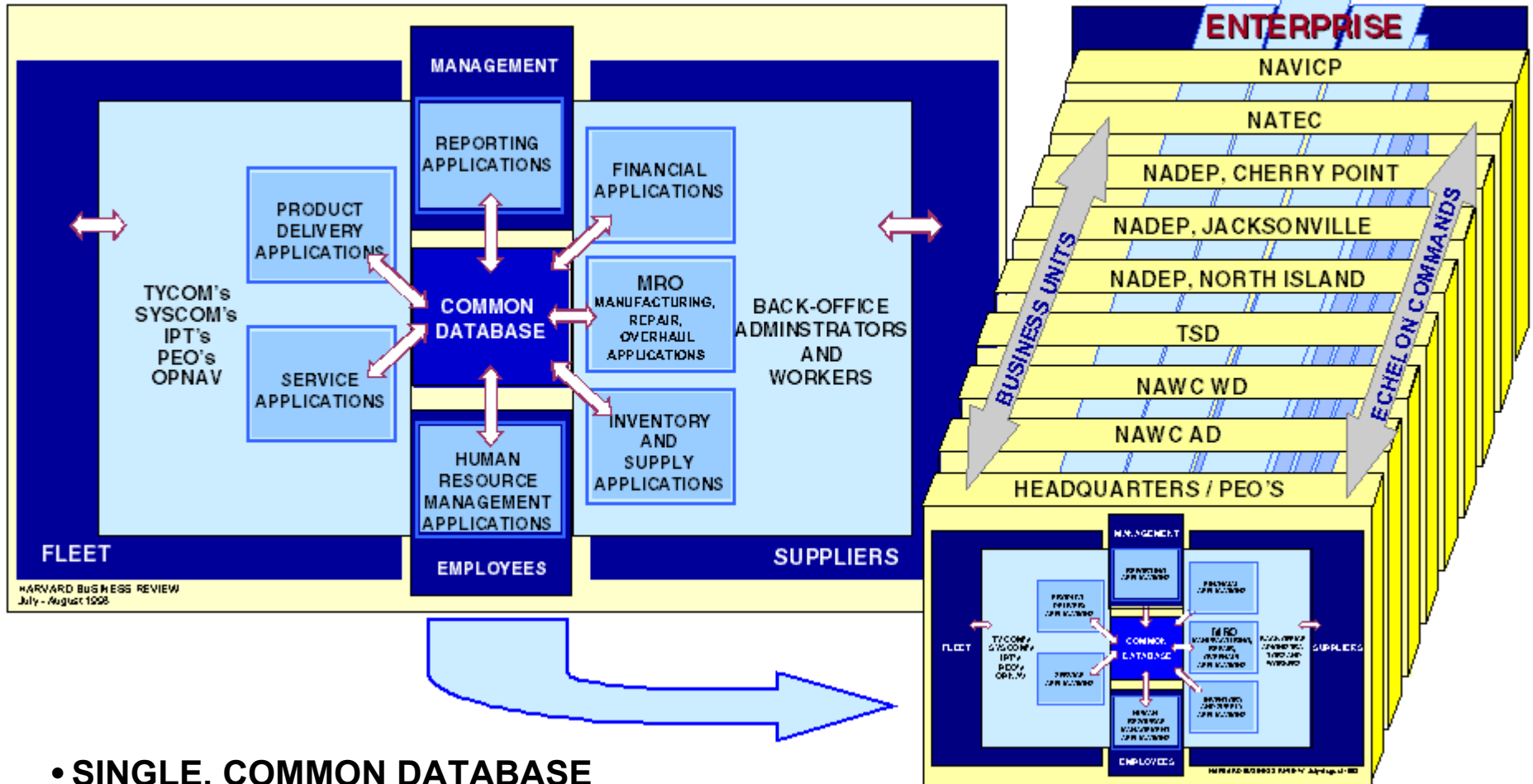
ERP BENEFITS

ERP IS AN ENABLER TO PROVIDE GOOD BUSINESS PROCESS FLOWS AND SYSTEM DATA INTEGRATION ACROSS THE ENTERPRISE...





NOTIONAL ENTERPRISE MODEL

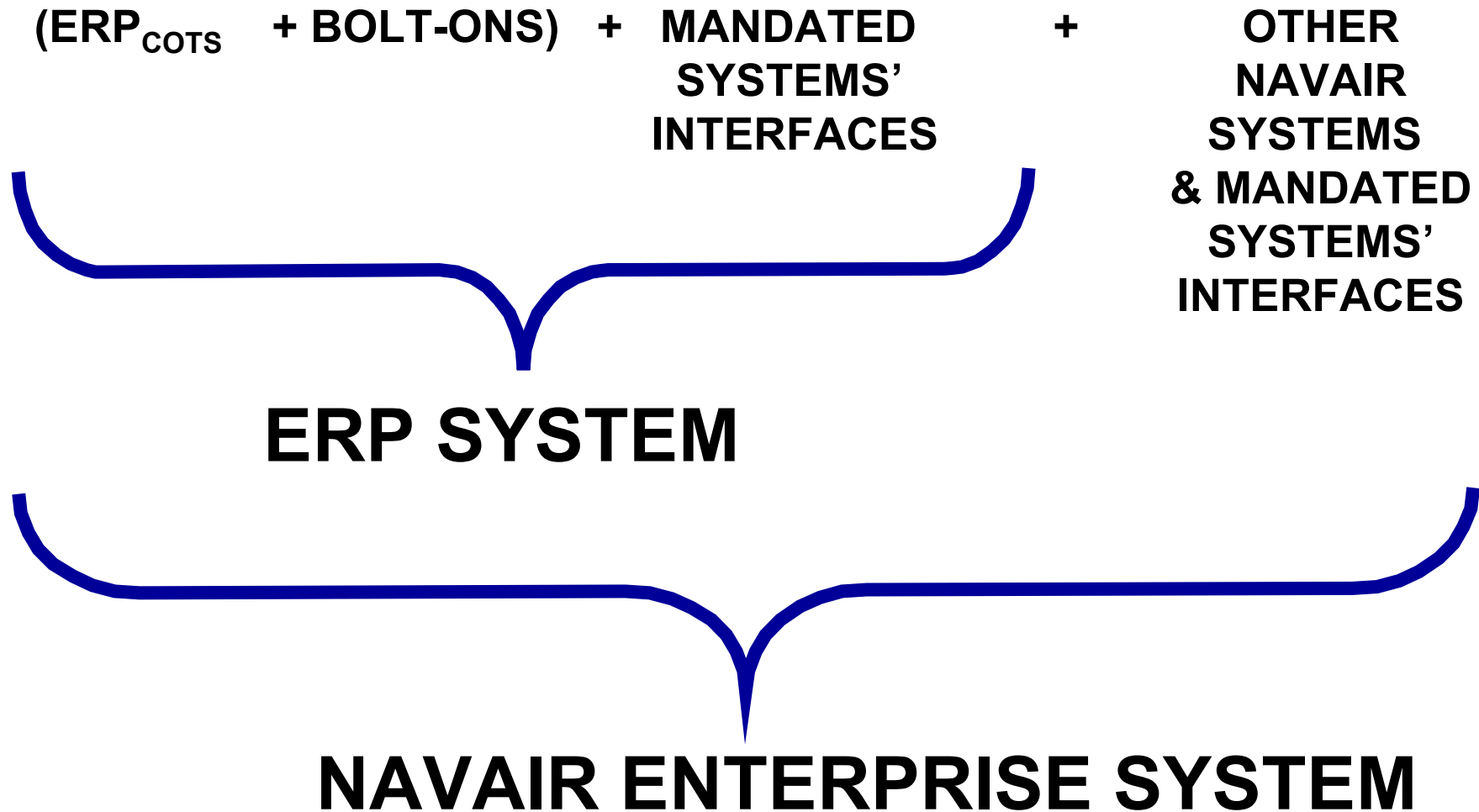


- SINGLE, COMMON DATABASE
- SAME SET OF APPLICATIONS
- SINGLE DATA ENTRY
- REAL-TIME OPERATING INFORMATION

NAVAL AVIATION, INC.



RELATIONSHIP OF ERP SYSTEM TO NAVAIR ENTERPRISE SYSTEM



Source: The Conference Board

RBA / ESG STRATEGY



PROPOSED PLAN

- **PROVE EFFECTIVENESS OF ERP ON SMALL SCALE, I.E., VIA PILOT(S)**
 - CHANNEL EXISTING RESOURCES
 - APPLY LESSONS FROM INDUSTRY
 - LEVERAGE ONGOING INITIATIVES
 - MANAGE RISKS
 - COMMISSION ESC TO MONITOR / OVERSEE INITIATIVE
- **IMPLEMENT ERP NAVY-WIDE AS APPROPRIATE BASED ON PILOT RESULTS & PROJECTED ROI**



APPROVED ERP PILOTS

FOCUS AREA

**AVIATION SUPPLY
CHAIN / MAINT.
MANAGEMENT**

**REGIONAL
MAINTENANCE**

**ACQUISITION PRGM
MANAGEMENT**

**WARFARE CENTER
MANAGEMENT**

EXPLORE ERP BUSINESS PROCESSES TO IMPROVE:

**MAINTENANCE PLANNING / EXECUTION &
MATERIAL ORDERING PROCESSES (AT A
MINIMUM, ONE EACH O, I, D & NAVICP) --
SUP / AIR JOINT LEAD**

**WORKFORCE MANAGEMENT PROCESS.
(ORIGINALLY AVIONICS AND ELECTRONICS
REPAIR CENTER ACROSS AIR, SURFACE AND
SUBSURFACE COMMUNITIES PERFORMED
BY CIVILIANS AND SAILORS.) SCOPE NOW
INCLUDES SIMA NORFOLK (I&D) WITH
POSSIBILITY OF LATER PHASING IN
SHIPYARD. -- CLF / SEA**

**PROGRAM MANAGEMENT PROCESS TO
INCLUDE LINKAGE BETWEEN CONTRACTING
AND FINANCIAL SYSTEMS (ONE PROGRAM
OFFICE) -- AIR**

**NWCF FINANCIAL MANAGEMENT PROCESS
(AT ONE WARFARE CENTER) -- SPAWAR**



PENDING ERP PILOTS

FOCUS AREA

EXPLORE ERP BUSINESS PROCESSES TO IMPROVE:

**SHORE STATION
MANAGEMENT**

**FACILITIES MGMT PROCESS (SERVICE PROVIDED
FACILITIES OPERATIONS & MAINTENANCE.
EXPLORING PEARL HARBOR AS POTENTIAL SITE.)
-- CPF**

**LOGISTICS
MANAGEMENT**

**(USMC TO DEVELOP LOGISTICS MGMT
CAPABILITY. LEVERAGE CURRENT AND PLANNED
EFFORTS, e.g. PROCESS REENGINEERING
LOGISTICS INITIATIVES. EVALUATE
APPLICABILITY OF ERP APPROACH) -- USMC**



**NAVAIR'S
E-2C PROGRAM MANAGEMENT PILOT**



E-2C PM PILOT SCOPE

- **THREE FOCUS AREAS**
 - FINANCIAL MANAGEMENT
 - PROCUREMENT
 - ASSET MANAGEMENT TRACKING



E-2C PILOT OBJECTIVES

- **DEMONSTRATE FEASIBLE ELEMENTS OF PROPOSED ERP SOLUTION**
- **LEVERAGE BPR / ERP INITIATIVES**
- **SHOW EXPANDABILITY**
- **VALIDATE ROI ASSUMPTIONS**
- **SUGGEST ROAD MAP TO IMPLEMENTATION**



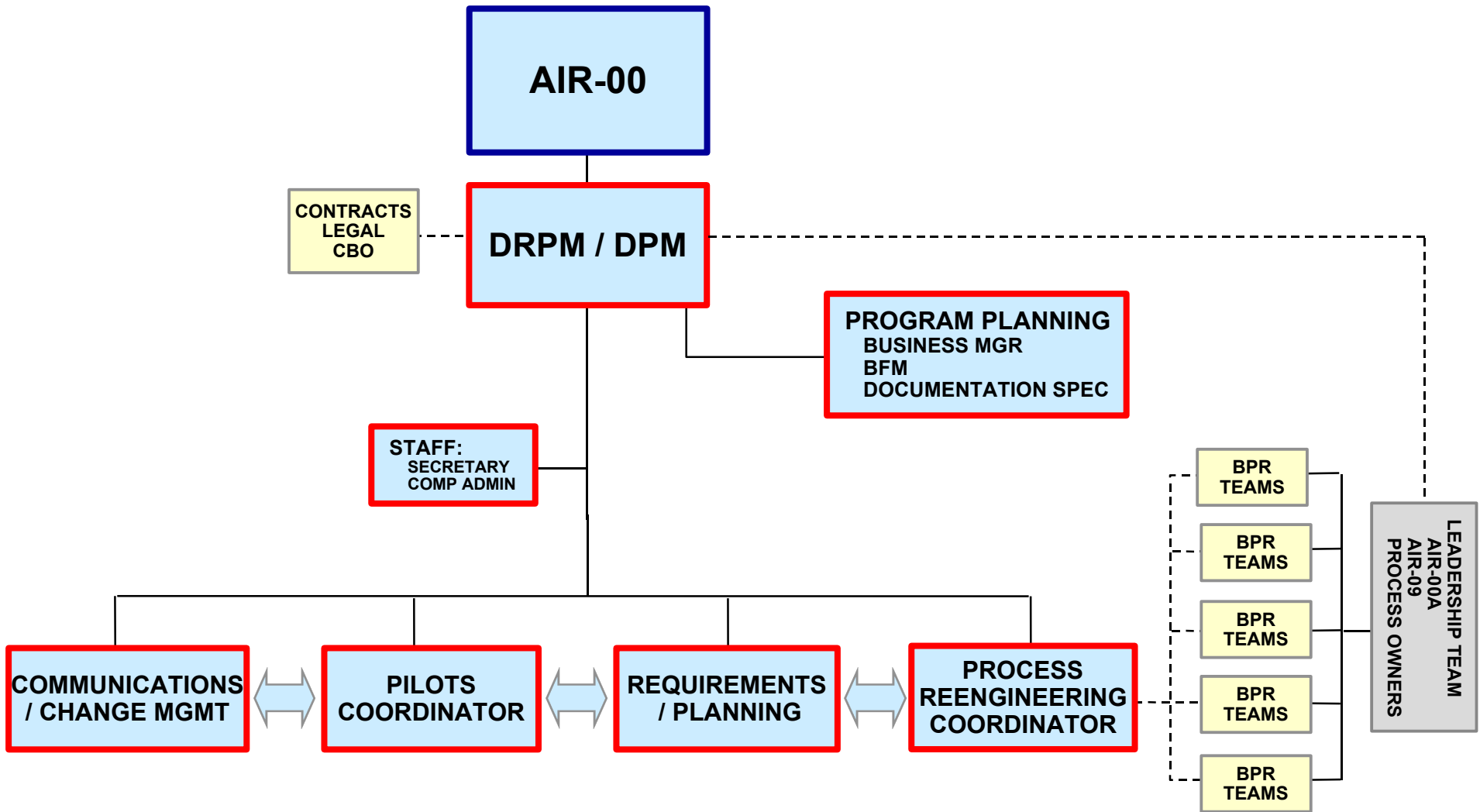
E-2C PILOT SITES

- **NAVAIR HQ**
- **NADEP NORTH ISLAND**
- **NAWCAD PAX**
- **NAWCAD LAKEHURST**
- **NAWCTSD ORLANDO**
- **NAVICP PHILADELPHIA**

PROGRAM MANAGEMENT PLAN

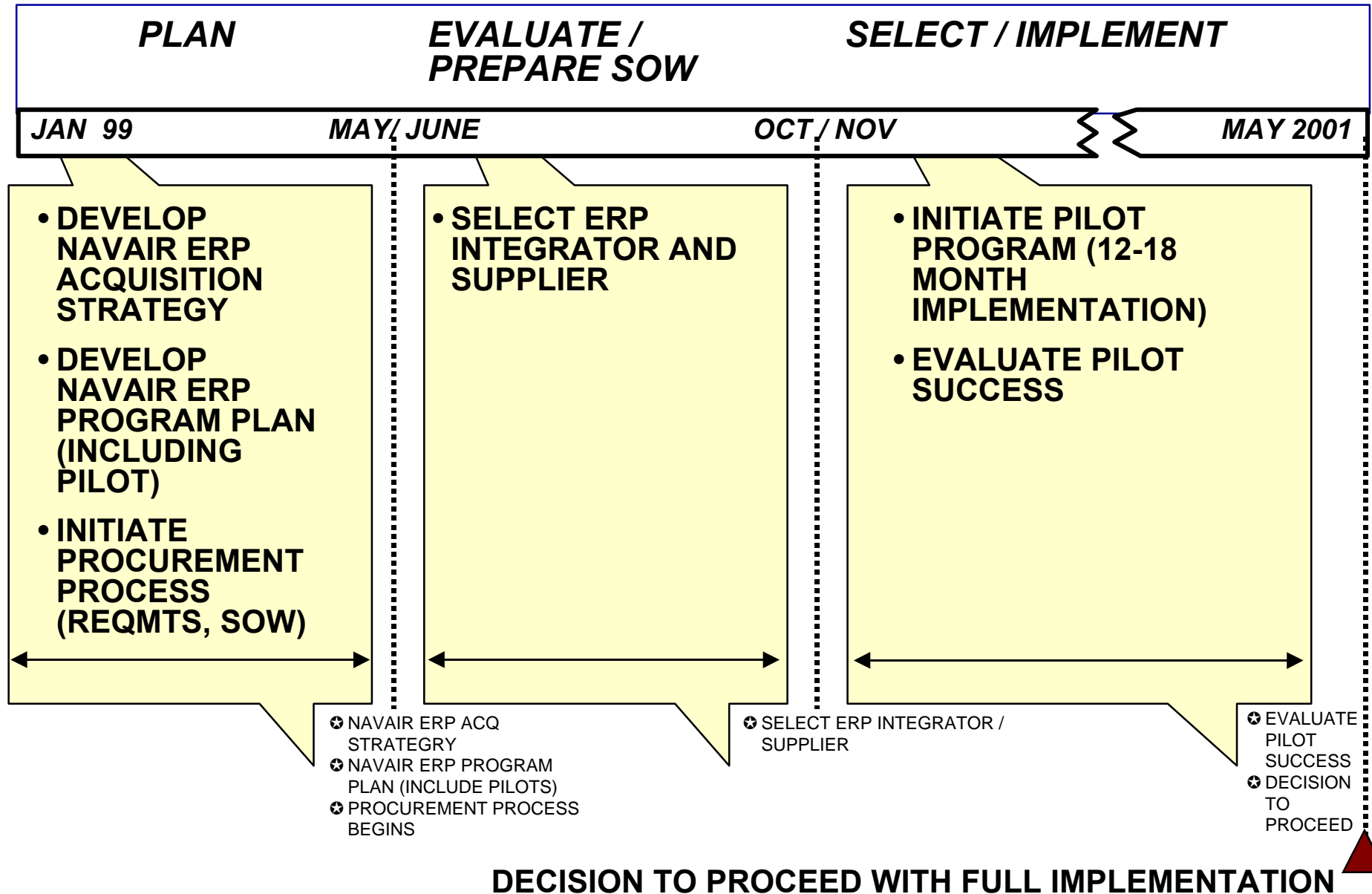


ENTERPRISE SOLUTIONS CONCEPT OF OPERATIONS



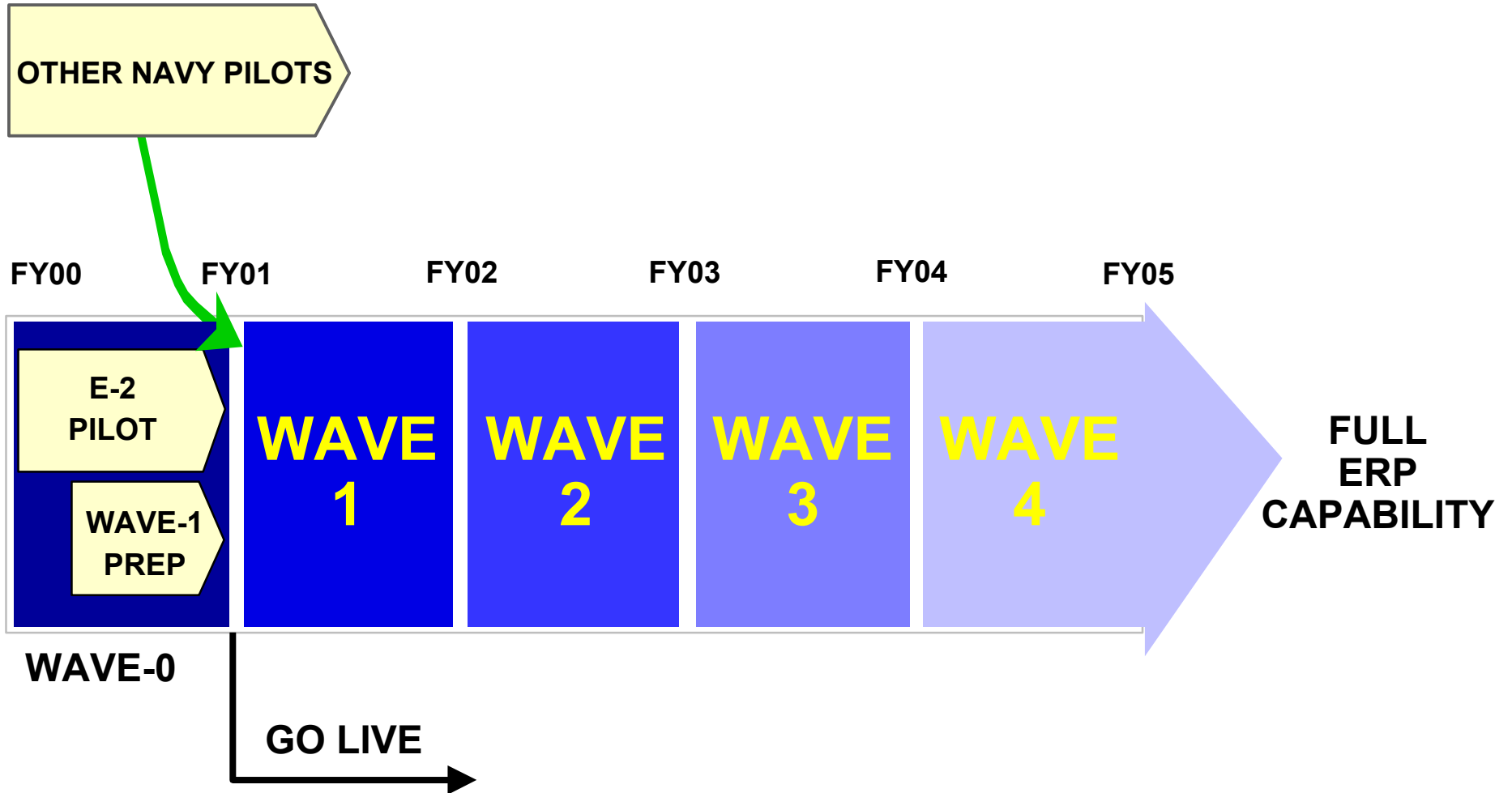


ERP ROADMAP





THE WAVES OF ERP





ACTIVITY BASED COSTING AND MANAGEMENT (ABC/M)

- **ABC/M REQUIREMENTS ARE BEING INCLUDED IN ERP FUNCTIONALITY**
- **NAVAIR PLANS TO REFRESH THE ABC MODEL IN FY00 UNDER THE ERP CONTRACT**
- **THIS WILL PROVIDE A BASIS FOR FURTHER ABC ANALYSIS AS COMPARED TO THE FY97 ABC MODEL AND AS A BASELINE FOR FURTHER BUSINESS PROCESS IMPROVEMENTS**



KEYS TO ERP SUCCESS

- **POSITION AS A STRATEGIC BUSINESS ISSUE**
 - CLEARLY DEFINED BUSINESS CASE & GOALS / MEASURES
 - NOT A TECHNOLOGY PROJECT
 - INTEGRATE WITH REENGINEERING
 - BEST & THE BRIGHTEST FULL TIME
- **PROGRAM MANAGEMENT**
 - BUSINESS ACUMEN & TECHNICAL COMPETENCE
 - COLOCATE & EMPOWER TO MAKE DECISIONS
 - TRAIN THOROUGHLY
- **CONTROL THE SCOPE**
 - AVOID INTERFACES, CUSTOM REPORTS & INTERIM PROCESSES
 - DON'T MODIFY SOURCE CODE



KEYS TO ERP SUCCESS (CONT.)

- **CHANGE MANAGEMENT**
 - IDENTIFY & OVERCOME RESISTANCE
 - COMMUNICATE QUICKLY & OFTEN
- **EXECUTIVE COMMITMENT & LEADERSHIP**
 - START WITH A CLEAR VISION - **ONE TEAM**
 - COMMIT TO FAST DECISION MAKING - DON'T REVISIT
 - PROCESS OWNERS ACCOUNTABLE FOR BUSINESS DECISIONS
- **COMPENSATION SYSTEM**
 - KEEP PEOPLE FOCUSED ON COMMON GOALS

RESULTS

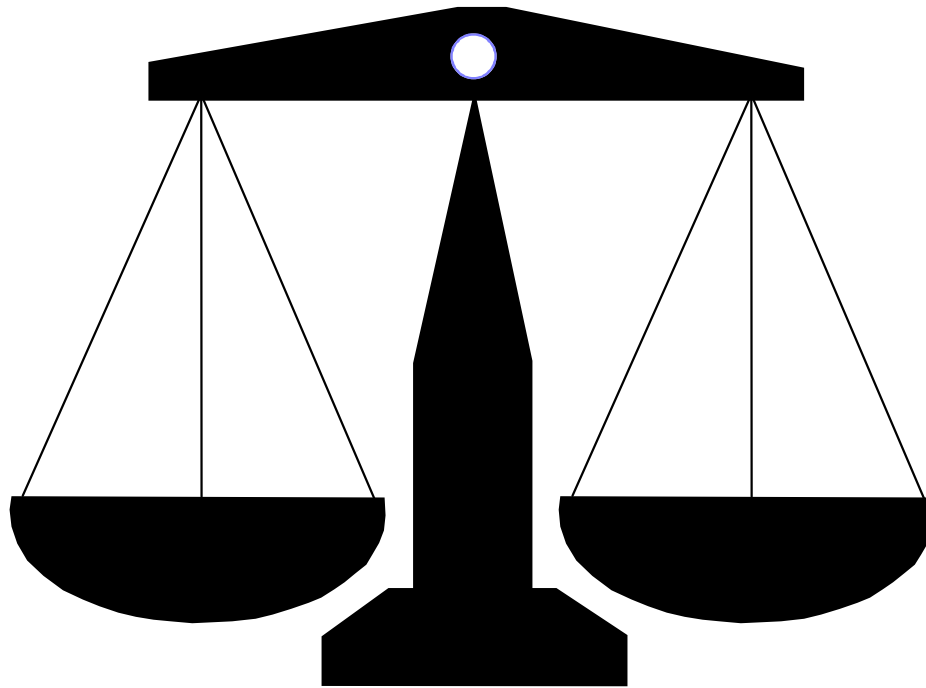
WHAT DOES IT MEAN TO THE CUSTOMER

- **SAME HIGH QUALITY – LOWER COST**
 - **MORE \$ AVAILABLE FOR MODERNIZATION**
 - **FASTER PRODUCT DELIVERY**
 - **MORE INFORMATION AVAILABLE TO THE CUSTOMER**
 - **WORK FORCE SKILLS MATCHED TO CUSTOMER NEEDS**





RESULT FOR THE CORPORATION



**BALANCED
SCORECARD**

- **THE FOUR ASPECTS OF THE CORPORATION WILL BE BALANCED**
 - **PROCESSES** ARE GLOBAL AND IN CONTROL
 - **PEOPLE** ARE CHALLENGED AND MOTIVATED -- IMPROVED SKILLS MIX AND TRAINING
 - **FINANCIAL** FUNCTIONS MUCH LESS DEMANDING
 - **CUSTOMERS** ARE MORE SATISFIED -- WE PROVIDE MORE BANG FOR THE BUCK
- **WE ARE REWARDED FOR KEEPING THE BALANCE**



VISION : NAVAL AVIATION, INC.



A central graphic consisting of a yellow rectangular area with a grey border. Inside the yellow area, the text "FOR MORE INFORMATION ON", "NAVAIR", "ENTERPRISE RESOURCE PLANNING (ERP)", and "VISIT OUR WEBSITE AT" is displayed in bold black font. Below the text is the URL "http://www.nawcad.navy.mil/processes/erp_main.html". The graphic is surrounded by several blue rectangular boxes of varying sizes, with light blue arrows pointing towards the central text. On the left and right sides of the yellow area, there are grey double-headed arrows pointing outwards.

FOR MORE INFORMATION ON

NAVAIR

ENTERPRISE RESOURCE PLANNING (ERP)

VISIT OUR WEBSITE AT

http://www.nawcad.navy.mil/processes/erp_main.html